

Uruguay

Economic Summary



Uruguay is a market-oriented economy in which the State still plays a certain role. The economy performed well during most of the nineties, but in 1999-2002 underwent its steepest banking and financial crisis in recent history, which was mostly caused by external factors. As a result, per capita GDP fell from \$6,300 in 1998 to about \$3,700 in 2002. After plummeting by an historic 11% in 2002, the economy recovered slightly in 2003 and boomed in 2004, with a 12% growth rate. Despite the 2004 expansion, most relevant indicators remain below their pre-crisis levels. GDP is expected to grow about 5%-6% in 2005.

Uruguay's sovereign debt was rated Investment Grade in 1997-2001 but was downgraded several notches in 2002 and 2003 to near default levels. In May 2003, the GOU implemented a successful debt swap with private creditors that alleviated its financial pressures and restored public confidence. The debt exchange and the economic recovery opened the way to new upgradings. The new Frente Amplio administration is negotiating a new agreement with the IMF, to replace the current one expiring in March 2005.

Uruguay has diversified its trade in recent years but remains dependent on Argentina and Brazil. It is a founding member of MERCOSUR, the regional trading bloc that includes Argentina, Brazil and Paraguay, with Chile and the Andean countries as associate members. The MERCOSUR Secretariat is located in Montevideo.

While imports from the United States fell 66% from 1998 through 2003, they grew 33% in 2004 following the economic upturn. The U.S. mostly sells high-tech and capital goods, and has a 10% market share of total imports. In 2004, the U.S. became Uruguay's largest single market, as exports boomed with increased meat sales.

While the crisis impacted on poverty levels and caused substantial migration, social indicators remain outstanding by Latin American standards. The U.N. Economic Commission for Latin America and the Caribbean ranks Uruguay as the only Latin American country with a "low" degree of inequality.

The investment climate is generally positive. Investments are allowed without prior authorization, foreign and national investors are treated alike, and there is fully free remittance of capital and profits. About ninety American firms operate in Uruguay and, according to the U.S. Dept. of Commerce, the stock of U.S. direct investment amounts to \$656 million.

GENERAL INDICATORS

Area:	68,036 sq. miles	About the same as Oklahoma
Population:	3.2 million people	
Annual Population Growth Rate:	0.3%	
Montevideo (Capital):	43% of total population	
Type of Government:	Representative Democracy	
Life Expectancy at Birth:	75 years	
Home owners:	66%	
Literacy Rate:	97%	
Households with access to safe water:	98%	
Poverty level (% of households):	21% (2003)	
Electricity in 94% of the country		
Absence of ethnic problems		

REAL SECTOR

Gross Domestic Product (GDP): \$13.3 billion (2004, estimate), \$11.2 billion (2003), \$12.3 billion (2002)
GDP Real Growth Rate: 12.0% (2004, est.), 2.5% (2003), -11.0% ('02)
GDP Per Capita: \$3,966 (2004, est.), \$3,307 (2003), \$3,666 (2002)
Industrial Production: 18% of GDP. Grew by 25% in Jan.-Sept. 2004 vs. Jan.-Sept. 03. Principal sectors: food, beverages & tobacco, chemicals, textiles, leather processing.
Agriculture & Livestock: 12% of GDP. Grew by 11% in Jan.-Sept. 2004 vs. Jan.-Sept. 03. Large areas devoted to livestock grazing, forestry, sunflower, rice and wheat.
Commerce, Restaurants & Hotels: 11% of GDP. Grew by 23% in Jan.-Sept. 2004 vs. Jan.-Sept. 03.
Other Services: Approximately 50% of GDP.
Budget Deficit (% GDP): -2.0% (2004), -3.2% (2003), -4.3% (2002)
No Personal Income Tax (but plans to implement one); 23% VAT; 30% Corporate Tax.

LABOR

Labor Force: 1.1 million
Unemployment Rate: 13.3% (Avg. 2004), 17.1% (Avg. 2003)
Official Minimum Wage Rate: \$82 per month (February 2005)
Average Monthly Household Income: \$530 (December. 2004)
Unionization: Under 15.0% of the workforce (estimate)

EXTERNAL ACCOUNTS

EXPORTS (Goods, FOB): \$3.0 billion (2004; rose 35% over 2003)
Partners: U.S., Brazil, E.U., Argentina
Commodities: Meat, Rice, Leather, Wool, Fish, Dairy Products
Exports to U.S.: \$589 million (20% of 2004 total; grew 152% over 2003)
Commodities to U.S.: Meat, Leather, Honey, Cheese, Wood, Fish
IMPORTS (Goods, FOB): \$2.4 billion (2004; grew 12% over 2003)
Partners: Argentina, Brazil, E.U., U.S.
Commodities: Oil & Fuels, Machinery & Equipment, Fertilizers, Wheat, Pharmaceuticals
Imports from U.S.: \$220 mill. (10% of 2004 total; 33% growth over '03)
Commodities from the U.S.: Computers & Parts, Fertilizers, Radio, TV & Telephony Equipment, Medical Equipment, Medicines.
Import Tariffs vary between 0 and 35%. Mean tariff is 13%.
No import quotas apply.
Gross Public External Debt: \$13.4 billion (Sept. 2004), 100% of GDP
Current Account Balance: -0.6% of GDP (est. 2004), +0.5% (2003)

MONEY & PRICES

Inflation Rate (CPI): 7.6% (2004), 10.2% (2003), 25.9% (2002)
Exchange Rate: Uruguayan pesos per U.S. dollar = 25.5 (February 2005)
M1: \$843 million (December 2004)
International reserves: \$2.2 billion (February 2005)
Annual interest rates charged on loans (February 2005):

	In pesos	In \$
Preferential	20-25	8-9
Intermediate	22-30	10-11
Personal	30-55	11-13